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Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

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---------- 127380
R 071100Z MAY 76
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 5810

C O N F I D E N T I A L NEW DELHI 6810

E.O. 11652: N/A
TAGS: EAIR, IN
SUBJ: CIVAIR: DISCRIMINATORY GOI PRACTICES

REF: STATE 107825

1. IN ORDER TO EMPHASIZE STRENGTH OF US FEELING ON DISCRIMINATORY PRACTICES ISSUE AS WELL AS OPERATING DIFFICULTIES FACING PAN AM (AND TWA TO LESSER EXTENT), ECON COUNSELOR WENT TO BOMBAY MAY 4 FOR CALLS ON MANAGING DIRECTOR OF AIR INDIA, K.K. UNNI, AND EXEC-UTIVE DIRECTOR OF THE RESERVE BANK, J.C. LUTHER.

2. PRINCIPAL POINT WITH UNNI WAS THAT TWO-SIDED COIN OF SALES MALPRACTICES BY INTERNATIONAL AIRLINES AND PREFERENTIAL GOVERNMENT REGULATIONS HAD STARTED ON DOWNWARD CYCLE WHICH HAD POTENTIAL FOR SERIOUS CONFRANTATION. FOREIGN AIRLINES (ESPECIALY MAJOR CARRIERS) HAD INDICATED A WILLINGNESS TO CLEAN UP MALPRACTICES; THEY ASKED FOR ELIMINATION OF GOVERNMENT DISCRIMINATION IN RETURN. IN COURSE OF LENGTHY CONVERSATION, UNNI CONCLUDED THAT DISTRUST OF AIRLINE BEHAVIOR WAS SO GREAT (HE SPECIFICALLY EXCLUDED PAN AM, WHICH HE SAID OPERATED ABOVE BOARD) THAT HE COULD PLACE NO RELIANCE ON SELF-GENERATED CLEAN-UP CAMPAIGN. WHILE HE CONTENDED THAT SOME GOVERNMENT REGULATIONS HAD LITTLE ECONOMIC IMPACT (INCLUDING FOR EXAMPLE FOREIGN TRAVEL SCHEME, AS AIR INDIA CAPTURED SAME SHARE OF FTS TRAVEL AS OF NON-FTS TRAVEL), HE SAID AIR INDIA WAS UNPREPARED TO SUPPORT THEIR ABANDONMENT. WE GOT THE IMPRESION, HOWEVER, UNNI WAS NOT STRONGLY OPPOSED TO SOME MOVEMENT BY GOI ON QUESTION OF REGULATIONS.
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3. LUTHER, WHILE UNFAMILIAR WITH SPECIFIC AVIATION PROBLEMS, WAS EXTREMELY FORTHCOMING WITH REGARD TO ADMINISTRATIVE OBSTACLES RAISED BY RBI. PRIMCIPAL ISSUES HERE IS APPROVAL OF REMITTANCES, BUT IT ALSO COVERS REQUIREMENTS OF P FORM AND, UNTIL YESTERDAY, FAILURE TO APPROVE PAN AM'S LICENCE AS AUTHORIZED FOREIGN EXCHANGE DEALER (PAN AM TELLS US THIS MAJOR HEADACHE RESOLVED IN THEIR FAVOR YESTERDAY AFTER YEARS OF DELAY). LUTHER COULD NOT BE SO POSITIVE ONUSSUE OF DISCRIMINATORY PRACTICES, BUT WE WILL BE PURSUING THIS ASPECT OF PROBLEM TOO.

4. WHILE THESE CONVERSATIONS LEAD US TO EXPECT SOME FORWARD MOTION ON SOME ISSUES, WE THINK WE HAVE SUCCEEDED IN CAUSING GOI AUTHORITIES AT LEAST TO PAUSE IN DEVELOPING TREND TOWARDS EVER GREATER RESTRAINTS ON MARKET IN FAVOR OF NATIONAL AIRLINE. WE ARE PURSUING THE SPECIFICS FURTHER WITH THE RBI IN COLLABORATION WITH LOCAL REPS OF TWO AND PAN AM.
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